



REITs

Price:	\$6.53
Fair Value Estimate:	\$7.00
52-Week Range:	\$5.86 - \$8.39
Equity Market Cap (M):	903.0
Shr.&Units O/S (M):	137.38
30-day Avg Daily Vol:	415,615
Dividend:	\$0.52
Yield:	8.0%

FYE: Apr	2015A	2016E	2017E
Prior FFO:			NC

Quarterly FFO:

Q1	\$0.14A	\$0.16A	\$0.11E
Q2	\$0.17A	\$0.06A	\$0.12E
Q3	\$0.17A	\$0.40A	\$0.12E
Q4	\$0.16A	\$0.14A	\$0.12E
Year:	\$0.64A	\$0.76A	\$0.47E

August 31, 2016

Investors Real Estate Trust (IRET) - BUY

IRET selling Senior Housing portfolio for \$280M; Positive for the stock

Flash Takeaways

IRET announced it entered into agreements to sell 26 senior housing properties and 1 multifamily property for \$236M. While we had been expecting IRET to announce a significant amount of non-core asset sales next week in concert with its F1Q17 earnings, we view the potential exit of the senior housing business for gross proceeds of nearly \$280M to be a significant positive for the stock.

Analysts Notes

- Selling additional senior housing assets to Edgewood. On August 31, IRET announced that it had entered into six separate sales agreements with affiliates of Edgewood Senior Living to sell 26 of IRET's senior housing properties (Edgewood currently operates 25 of the 26 assets) and one multifamily asset for gross proceeds of \$236M.
- Entire senior housing portfolio could be gone for \$279.5M. If this transaction closes (expected in calendar 2017), along with Edgewood's previously exercised purchase option on 8 other senior housing properties in Idaho for \$43.5M, IRET will have sold its senior housing portfolio for \$279.5M of gross proceeds.
- The six transactions are subject to various conditions (including each sale being contingent on the closing of the other sales) and breakdown as follows: (1) 5 properties with 386 units in Cheyenne, Casper, and Laramie, WY for \$53.0M; (2) 2 properties with 256 units in Hermantown, MN for \$36.8M; (3) 4 properties with 220 units in Virginia, MN, Kalispell, MT and Omaha and Hastings, NE, for \$32.3M; (4) 5 properties with 514 units in East Grand Forks and Brainerd, MN, Bismarck and Fargo, ND and Rapid City SD for \$71.0M; (5) 9 properties with 278 units in ND, SD, NE, and MT for \$28.8M; and (6) 1 property with 97 units and one townhome property with 24 units in Sartell, MN for \$14.0M.
- We are maintaining our Buy rating on IRET, as we view this transaction (when it closes) as a positive for IRET's repositioning efforts, as well as a positive for the stock. We are also maintaining our \$7 Fair Value estimate and our F2017 FFO per share estimate of \$0.47 at this time.



## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Robert Stevenson, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Investors Real Estate Trust.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Investors Real Estate Trust in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

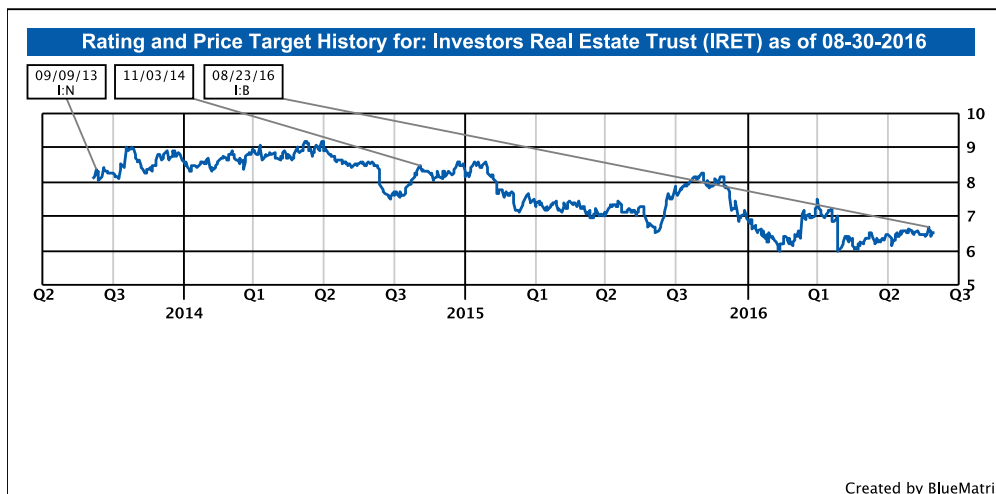
### Definition of Ratings

**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 06/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	109	52.15	26	23.85
<b>NEUTRAL [N]</b>	98	46.89	11	11.22
<b>SELL [S]</b>	2	0.95	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

### Other Disclosures

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